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Approved For Release 2004/01/16 : CIA-RDP79F06975A000500630001-8

12 September 1951

Copy No.

25X1

47

CURRENT INTELLIGENCE BULLETIN

11 DECLASSIFIED

CLASS, CHANGED

CHARGE: CHANGED TO: 18 5 0
NEXT REVIEW DATE: 2001

AUTHN:HE703

DATE 2-2-79 REVIEWER:

DATE / PERIOD REVIEWED

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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GENERAL

1. Turkey will be asked to join US, UK in approach to Egypt:

It is planned to offer full membership in NATO to Turkey and Greece at the Ottawa meeting of NATO on 15 September, according to a recent US memorandum. As a "member elect" Turkey

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will be asked to join immediately with the US and the UK in an approach to Egypt, designed to enlist the latter in a Middle East Defense Command in which Egypt will share the authority and responsibility of maintaining adequate regional defense.

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The approach to Egypt is designed to bring that country into a Middle East command before it can carry out its threat to abrogate the 1936 Anglo-Egyptian Treaty. Turkish insistence on full membership, a time consuming procedure since accession of each new member must be ratified by each NATO government, might defeat this maneuver. Current Egyptian irritation over Turkey's failure to support Egypt on the Suez question at the UN may detract from Turkish intercession with Egypt at this time.

*Egypt*2. Egypt to be invited to participate in Middle East Command:

Egypt will be asked to participate in the proposed Middle East Command as a founding member on the basis of full equality under procedures currently being discussed in the tripartite Foreign

Secretaries' talks.

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Egypt would be a member of the Middle East Chiefs of Staff committee. Its officers would be included in the integrated headquarters of the Supreme Allied Command for the Middle East, which Egypt is to be asked to locate on its soil.

The present British bases in Egypt would be handed over formally to Egypt on the understanding that they would simultaneously become Command bases with full Egyptian cooperation in their running at all times. Those British forces currently in Egypt not allocated to the Command will be withdrawn immediately.

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The Command, in agreement with the Egyptian Government, would determine the number of allied troops to be stationed in Egypt in peacetime. In an international emergency Egypt would grant all necessary facilities to the Allied force.

Comment: These proposals have been worked out primarily to secure the retention of the facilities built up by the British in the Suez Canal area, which military authorities consider the important strategic area for the defense of the Middle East.

Available evidence suggests that under any circumstances Egypt will view suspiciously any proposals concerning the stationing of foreign troops on its territory.

USSR

3. Tass denies presence of Soviet troops in North Korea:

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Tass states that it has been authorized to deny that "Soviet forces of the white race, and the like, are in North Korea," according to a broadcast from Radio Moscow.

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Comment: On 6 September, Radio Peiping also denied that "Caucasian volunteers" were in Korea. Although there has been no identification of Soviet units in North Korea, Soviet military assistance does exist in the form of air force, anti-aircraft and air warning personnel.

This authoritative Soviet denial may indicate that the USSR does not plan to expand its participation in the Korean war in the near future or that it will not publicize the use of "international volunteers" as such.

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NEAR EAST

5. Israeli Prime Minister still unable to form government:

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[Redacted]

Israeli Prime Minister Ben Gurion, leader of the moderate socialist MAPAI party, after six weeks of negotiations, has not yet managed to form a government. Ben Gurion, whose party obtained only a plurality in the 30 July elections, has been trying to reach accord with the next largest parties, the conservative General Zionist and the extreme leftist MAPAM.

Failure to include the Zionists of MAPAM would force the Prime Minister to form a coalition with five splinter groups or admit his inability to form a government.

Comment: The Prime Minister disagrees strongly with the General Zionists on many domestic issues. He disagrees even more strongly with the MAPAM on major foreign policy issues.

Unless either, or both, of these parties considerably modifies its position, Ben Gurion will have to turn to smaller parties more in accord with his position. Such a coalition would give him only a slim working majority and would leave him a strong opposition.

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EASTERN EUROPE

6. Yugoslav actions further jeopardize Yugoslav-Italian relations:

[Redacted]

Within three days after the postponement of the Trieste elections, the Yugoslav Government has taken a stand which will make bilateral negotiations over Trieste more difficult. On 8 September the Yugoslav Foreign Office protested the anti-Yugoslav campaign being conducted by Italian Government spokesmen and propaganda organs. On 9 September, in a speech

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celebrating Yugoslav Navy Day, Marshal Tito denounced Italy's anti-Yugoslav campaign and irredentist claims.

Comment: These actions are another indication that the Yugoslav Government has no desire to settle the Trieste issue at this time. Prior to the postponement of the Trieste elections on 6 September, Yugoslavia had maintained a relatively moderate tone regarding the anti-Yugoslav campaign in Italy.

WESTERN EUROPE

25X1A7. Long range adverse effect on Berlin economy seen:

Although truck traffic on the Berlin-West Germany autobahn appears to have returned to normal, the recent Soviet move in imposing a prohibitive road tax on this traffic is likely to result in the long run in further harm to the West Berlin economy. At the present time, the tax has apparently been absorbed by the German firms and, although imported commodities will probably continue to be available, there is likely to be an increase in their cost. The possibility exists that some Berlin industries will become less competitive through price increases.

Local US officials, in evaluating the possible Soviet motives, believe that the tax, coming on top of other recent restrictions, is the latest in a series of steps possibly designed to lead progressively to a new blockade, or at least to a situation equivalent in its effect on the economy of West Berlin, with the ultimate goal of making the Allied position in the city untenable. They feel that the move may also be designed to force the conclusion of the interzonal trade pact, or to divide and confuse the Western camp on the whole Berlin problem.

Comment: The precarious West Berlin economy already requires extensive support from the Allies and West Germany. Further impairment of this economy would increase unemployment, already serious, and require additional subsidies from the West German Government, thus adding to current West German dissatisfaction with the drain on the Federal budget.

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